

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Crawford, Michigan	County Crawford
Fiscal Year End September 30, 2006	Opinion Date November 22, 2006	Date Audit Report Submitted to State March 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma	License Number 1101024989

COUNTY OF CRAWFORD, MICHIGAN

BASIC FINANCIAL STATEMENTS

September 30, 2006

COUNTY OF CRAWFORD, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	DAVE STEPHENSON
COMMISSIONER	RICK ANDERSON
COMMISSIONER	TERRY BEARDSLEE
COMMISSIONER	SCOTT M. HANSON
COMMISSIONER	MIKE LANGE
COMMISSIONER	SHELLY L. PINKELMAN
COMMISSIONER	KATHY ROGERS

APPOINTED/ELECTED OFFICIALS

COUNTY CONTROLLER	PAUL COMPO
COUNTY TREASURER	JOSEPH WAKELEY
COUNTY CLERK	SANDRA MOORE

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	12
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Component Unit Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
NOTES TO FINANCIAL STATEMENTS	20
REQUIRED SUPPLEMENTAL INFORMATION:	
Major Funds:	
Budgetary Comparison Schedule – General	41
Budgetary Comparison Schedule – Revenue Sharing Reserve	43
Budgetary Comparison Schedule – County Library	44
Budgetary Comparison Schedule – Housing Commission	45

OTHER SUPPLEMENTAL INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds.....	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	50
Combining Statement of Net Assets – Nonmajor Enterprise Funds	54
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor Enterprise Funds	55
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	56

REPORTS ON COMPLIANCE:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	59
Schedule of Expenditures of Federal Awards	61
Notes to Schedule of Expenditures of Federal Awards	62
Schedule of Findings and Questioned Costs	63
Summary Schedule of Prior Audit Findings	65

ADDITIONAL INFORMATION:

Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12	66
--	----



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
County of Crawford, Michigan
Grayling, MI 49738

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Crawford, Michigan as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Crawford County Road Commission which represents 99 percent and 99 percent of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County of Crawford, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Crawford, Michigan as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2006, on our consideration of the County of Crawford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Crawford's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the County of Crawford. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

November 22, 2006

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

County revenues in general have remained consistent with the previous year. Most activities within the general fund experienced slight to moderate decreases in revenue. Emergency Management showed the largest loss in revenue compared to last year due to the amount and availability of funding for homeland security grants. The increase in revenue within the Sheriff's Department is primarily attributed to the sale of assets. The largest increase in revenue occurred in property tax collection. This increase is somewhat artificial in that as the county shifts to a summer tax collection the millage rates are factored on newly set taxable values set the previous April. The complete shift to a summer property tax collection will be concluded in 2007. Several special revenue funds experienced increases in funding. Building and Zoning revenues increased by 25% based on increased activity while Extension services more than doubled their revenue based on grants and special programs along with the need for more administrative help. Central Dispatch revenues are down by 5.5%, we believe this can be attributed to the expansion of cell phone usage causing the reduction of land lines. Land line surcharges make up the lion's share of 911 services funding. The County established a new fund titled Road Patrol Millage Fund that is based on an approved ballot request for 0.9 mills for public safety purposes. The ballot question was decided in the November general election of 2004 but the County did not spread the millage until the winter of 2005. In July of 2006, the Michigan Supreme Court issued its ruling on the main points of the litigation between the county and the 46th Circuit Trial Court. The ruling states that the benefits the Court was imposing on the funding units were not reasonable and necessary. As a result, the counties are working through the unwinding of those specific benefits. Unfortunately, the question of who is responsible for the attorney fees incurred by the court in their suit against Crawford County is yet to be decided. Crawford and Kalkaska Counties have asked the Supreme Court for leave to appeal the Court of Appeals ruling that places the liability of \$1.25 million (or more) at the feet of the funding units. The court will be asked to determine if the attorney fees are to be awarded and the current charges are appropriate along with how that payment be shared between the three funding units of the Court. The lawsuit was based on the courts implementation of a B-4 pension plan and post retirement health care insurance that had not been approved by all funding units. Now, the question remains as to if an elected body/individual unsuccessfully sues its funding source which party, if any, is liable for the attorney fees that are incurred.

In a condensed format, the table below shows the net assets of Crawford County as of September 2006 and 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 5,541,998	\$ 4,577,761	\$ 2,401,478	\$ 1,899,639	\$ 7,943,476	\$ 6,477,400
Noncurrent Assets	<u>4,125,903</u>	<u>4,122,598</u>	<u>-</u>	<u>-</u>	<u>4,125,903</u>	<u>4,122,598</u>
Total Assets	<u>9,667,901</u>	<u>8,700,359</u>	<u>2,401,478</u>	<u>1,899,639</u>	<u>12,069,379</u>	<u>10,599,998</u>
Current Liabilities	517,065	465,900	1,155,151	741,163	1,672,216	1,207,063
Noncurrent Liabilities	<u>1,035,711</u>	<u>1,210,699</u>	<u>-</u>	<u>-</u>	<u>1,035,711</u>	<u>1,210,699</u>
Total Liabilities	<u>1,552,776</u>	<u>1,676,599</u>	<u>1,155,151</u>	<u>741,163</u>	<u>2,707,927</u>	<u>2,417,762</u>
Net Assets						
Invested in Capital Assets -						
Net of Related Debt	3,034,634	2,818,696	-	-	3,034,634	2,818,696
Restricted	1,622,070	3,600	-	-	1,622,070	3,600
Unrestricted	<u>3,458,421</u>	<u>4,201,464</u>	<u>1,246,327</u>	<u>1,158,476</u>	<u>4,704,748</u>	<u>5,359,940</u>
Total Net Assets	<u>\$ 8,115,125</u>	<u>\$ 7,023,760</u>	<u>\$ 1,246,327</u>	<u>\$ 1,158,476</u>	<u>\$ 9,361,452</u>	<u>\$ 8,182,236</u>

The current level of unrestricted net assets for our governmental activities stands at \$3,458,421, or about 40% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 16%. Net Assets of the business – type activities increased approximately 8%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services	\$ 1,958,052	\$ 2,149,439	\$ 350,121	\$ 265,638	\$ 2,308,173	\$ 2,415,077
Operating Grants and Contributions	1,882,588	1,952,283	-	-	1,882,588	1,952,283
General Revenues						
Property Taxes	5,640,182	4,926,911	-	-	5,640,182	4,926,911
Federal, State, Local – General	48,080	38,415	-	-	48,080	38,415
Unrestricted Investment Earnings	118,244	54,671	35,193	8,897	153,437	63,568
Transfers	140,147	135,493	(140,147)	(135,493)	-	-
Total Revenues	<u>9,787,293</u>	<u>9,257,212</u>	<u>245,167</u>	<u>139,042</u>	<u>10,032,460</u>	<u>9,396,254</u>
Program Expenses						
Legislative	126,159	118,539	-	-	126,159	118,539
Judicial	1,239,371	1,576,676	-	-	1,239,371	1,576,676
General Government	1,778,372	1,638,751	-	-	1,778,372	1,638,751
Public Safety	3,155,444	2,981,107	-	-	3,155,444	2,981,107
Health and Welfare	1,525,903	916,586	-	-	1,525,903	916,586
Community /Economic Development	77,732	21,853	-	-	77,732	21,853
Recreation and Culture	419,163	323,392	-	-	419,163	323,392
Interest Expense – Unallocated	63,854	75,792	-	-	63,854	75,792
Other Expenses	309,930	525,719	-	-	309,930	525,719
Sheriff Commissary	-	-	28,572	30,295	28,572	30,295
Tax Collection	-	-	128,744	53,721	128,744	53,721
Total Expenses	<u>8,695,928</u>	<u>8,178,415</u>	<u>157,316</u>	<u>84,016</u>	<u>8,853,244</u>	<u>8,262,431</u>
Changes in Net Assets	1,091,365	1,078,797	87,851	55,026	1,179,216	1,133,823
Net Assets – Beginning	<u>7,023,760</u>	<u>5,944,963</u>	<u>1,158,476</u>	<u>1,103,450</u>	<u>8,182,236</u>	<u>7,048,413</u>
Net Assets – Ending	<u>\$ 8,115,125</u>	<u>\$ 7,023,760</u>	<u>\$ 1,246,327</u>	<u>\$ 1,158,476</u>	<u>\$ 9,361,452</u>	<u>\$ 8,182,236</u>

Governmental Activities

Revenue from property taxes increased 8.7% from the previous year gaining \$284,141 which was a significant improvement from the trend. Average gains from property taxes over the previous five years were \$128,260 per year. By dedicating a seasonal officer specifically to traffic safety Crawford County has maintained its district court revenues. The courthouse preservation fund has been helpful in the building of additional offices along with the purchase and installation of the Judicial Audio Visual recording equipment in the circuit courtroom. This automated recording equipment eliminates the need for a court recorder and allows attorneys the ability to view the day's proceedings in preparation for the following day. Revenue from investment income has increased by 34.6% or \$12,221 over last year. Although the interest is still only 50% of the highest years, it is encouraging to see the increase.

Health insurance premiums have increased by approximately 5.3% across the different groups. The County has continued to negotiate changes in health care plans or their funding to reduce this burden. The bulk of departmental expenditure increases compared to the previous year can be attributed to increased personnel costs. However, the approval of the additional millage for public safety has allowed the county to hire two new officers and return to 24-hour road patrol. Crawford County has not had officers available 24 hours a day since early 1998. Inmate medical expenses increased 278% in 2006. This equates to a \$43,238 increase or 0.8% of the general fund expenditures. Inmates without health insurance and the changes in sentencing guidelines by the State of Michigan are the primary causes of this spike. The State of Michigan has eliminated a juvenile case worker from Crawford County DHS. This could force the county to place some juveniles in privatized detention centers at a significantly higher cost. So, Crawford County has worked with our local DHS and the court to place a person in that position. The cost of paying for the person is less than the County would pay by placing a juvenile with a private agency.

Business-Type Activities

The County business-type activities are multi-faceted. They range from tax collection, which has significantly supported the General Fund in the past, as well as the Jail Commissary fund that provides inmates with commodities desirable during incarceration.

The County's Funds

Our analysis of the County's major funds begins on page 11 following the entity wide financial statements. The individual fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a specific property tax millage or other dedicated revenues. The County's major funds for 2006 include the General Fund, Revenue Sharing Reserve, County Library, Housing Commission, Prior Delinquent Tax Fund, and 2005 Delinquent Tax Fund.

The General Fund supports most of the County's governmental services. The lion's share is dedicated to law enforcement and the adjudication process. This would include the Sheriff's road patrol, Prosecutors' Office and the Jail along with all Court functions. The balance of the general fund activities is used in community service type departments. The Revenue Sharing Reserve fund has been established in compliance with the requests from the Michigan State Treasurer's office. It was designed to receive 1/3 of the tax levy for 2004, 2005 & 2006 as the counties shift to a summer tax collection. Funds deposited into this fund will be used to replace the previous revenue sharing funds issued to the County by the State. The Library and Commission on Aging both have designated millages to fund their respective operations. Central Dispatch is funded primarily through a land line surcharge. The County has been authorized by the voters to charge up to an additional 16% of the basic line charge. The Treasurer has combined prior year's delinquent tax funds into one fund per the auditor's request.

General Fund Budgetary Highlights

Revenue brought into the general fund by way of the Revenue Sharing Reserve Fund (which replaces State revenue sharing) was reduced by \$25,000 or about 11.2% from last year in an effort to lessen our dependency on that income stream to fund general fund activities. The Friend of the Court revenue was reduced by approximately 21.5% from anticipated levels due to changes in the reimbursement formula and our ability to achieve our goals. Revenue in the Sheriff's department showed an increase of 29.9% to the original budget mainly due to the sale of assets. County jail revenue continues to fall below expectations (-13.7%) as reimbursement rates and sentencing guidelines continue to have a negative impact in this area.

On average, the expenses of each department increased 4.4% percent. These increases are directly related to personnel costs and the increases in wages, health insurance, and retirement. Corporate Counsel expense was higher (\$17,500) than originally budgeted due to the continued legal filings from the attorneys representing the court which require a response along with an agreed upon fee of (\$15,000) if the county prevailed in the Supreme Court. The county solicited bids for their liability insurance in the fall of 2005 which resulted in savings of 15% even though we remained with our current carrier in the end. Capital outlay increased by close to \$40,000 over anticipated levels due to the replacement of the Marine boat (trade-in revenue recognized under sale of assets in the Sheriff's Department) and the purchase of a truck to haul recycling trailers.

Other Funds

One new fund was created this year titled Road Patrol Millage Fund that is based on an approved ballot request for 0.9 mills for public safety purposes. The ballot question was decided in the November general election of 2004 but the County did not spread the millage until the winter of 2005. This fund received \$458,682 of revenue used for public safety purposes. The Cops in Schools program has been extended two more years. The program currently funds one officer for the High School. The cost is split between the school system and the County. The environmental enforcement and recycling fund used \$36,877 of its available fund balance in 2006. This fund pays for the Environmental Monitor, recycling costs and a \$10,000 environmental grant that is offered to local units of government within our county. As previously discussed the Central Dispatch fund is experiencing revenue shortfalls surrounding the surcharge revenue that is placed on every land line within the county. This is due to the reduction of land lines that is possible with the increased coverage areas available with cell phones. We remain hopeful that the State will enact policies that share the cost of emergency 911 services equally to land lines and cell phones.

Capital Asset and Debt Administration

During the 2006 period, the County invested \$201,408 in capital assets that meet the dollar threshold of the reporting requirement. These purchases included equipment for recycling, marine patrol & jail administration. There were lesser dollar purchases as well for the purpose of upgrading selected personal computers. At year end, the County had invested \$4,125,903 in capital assets.

The County reduced its bond and lease debt load by \$850,000 in principal payments in 2006 ending with a debt balance of \$2,225,000. \$700,000 was for payments on delinquent tax notes with the balance put toward bonds for the Jail and Library buildings and equipment leases.

Component Units

Separately issued financial statements and management discussion and analysis can be obtained from the Crawford County Road Commission.

Economic Factors and Next Year's Budgets and Rates

The current economy in Michigan continues to make it difficult for all local units of government to provide services to their residents. Crawford County is no exception to this difficulty. We remain aware that as the State of Michigan struggles the local units of government will be required to share that struggle. As a result we will do our best to remain fiscally responsible and be prepared for the unforeseen. We enter 2007 with a significant change to the funding system of the 46th Circuit Trial Court as our neighboring county has decided to end the multi-county funding arrangement that had been in place since January of 2001. The court personnel have been allocated and assigned to one of the three specific counties. The court has gone from a \$3.2 million budget shared between three counties to a \$500,000 budget that is shared. The balances of the costs have been allocated to the individual counties. This separation continues as all parties are attempting to work together to find a more practical approach to court operations and funding. The County realizes that it must address its building needs. However, before such a plan could be implemented the county has determined that it needs a final resolution with regards to the current litigation with the 46th Circuit Trial Court. Specifically, the county Board needs to know the liability (if any) it has in the form of attorney fees. Once that information is ascertained, then a fiscally responsible plan to address the immediate and future needs of the building can be implemented. A settlement was reached between Grayling Township and the Grayling Co-generation plant that was going to the tax tribunal. This settlement will reduce the taxable value of that facility and cost the County approximately \$45,000 in property tax revenue going forward.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the County Administrator at 200 W. Michigan Ave., Grayling, MI 49738.

Basic Financial Statements

County of Crawford, Michigan

Statement of Net Assets

September 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS:				
Current Assets:				
Cash & Investments - Unrestricted	\$ 2,458,071	\$ 1,411,328	\$ 3,869,399	\$ 776,261
Receivables:				
Accounts	214,680	-	214,680	511,724
Taxes	1,077,785	870,929	1,948,714	-
Interest	6,160	97,814	103,974	-
Notes	1,515,385	-	1,515,385	-
Advances	2,400	-	2,400	-
Prepaid Expenses	87,913	-	87,913	76,742
Due from Governmental Units	142,166	28,591	170,757	-
Internal Loans	7,752	(7,752)	-	-
Inventories	2,010	-	2,010	153,171
Other Assets	27,676	568	28,244	-
	<u>5,541,998</u>	<u>2,401,478</u>	<u>7,943,476</u>	<u>1,517,898</u>
Total Current Assets	5,541,998	2,401,478	7,943,476	1,517,898
Non-Current Assets:				
Capital Assets (Not being Depreciated)	3,727,500	-	3,727,500	-
Capital Assets (Net of Accumulated Depreciation)	398,403	-	398,403	3,265,575
	<u>4,125,903</u>	<u>-</u>	<u>4,125,903</u>	<u>3,265,575</u>
Total Non-Current Assets	4,125,903	-	4,125,903	3,265,575
TOTAL ASSETS	<u><u>\$ 9,667,901</u></u>	<u><u>\$ 2,401,478</u></u>	<u><u>\$ 12,069,379</u></u>	<u><u>\$ 4,783,473</u></u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 173,502	\$ -	\$ 173,502	\$ 142,806
Accrued Liabilities	125,525	-	125,525	55,271
Accrued Interest Payable	17,713	-	17,713	2,309
Due to Governmental Units	2,865	5,151	8,016	-
Advances from State	-	-	-	163,539
Deferred Revenue	-	-	-	411,868
Compensated Absences - Current	6,508	-	6,508	-
Capital Leases	16,269	-	16,269	202,164
Notes Payable	19,683	1,150,000	1,169,683	-
Bonds Payable	155,000	-	155,000	65,000
	<u>517,065</u>	<u>1,155,151</u>	<u>1,672,216</u>	<u>1,042,957</u>
Total Current Liabilities	517,065	1,155,151	1,672,216	1,042,957
Non-Current Liabilities:				
Vested Employee Benefits	115,711	-	115,711	63,952
Capital Leases	-	-	-	365,824
Bonds Payable	920,000	-	920,000	205,000
	<u>1,035,711</u>	<u>-</u>	<u>1,035,711</u>	<u>634,776</u>
Total Non-Current Liabilities	1,035,711	-	1,035,711	634,776
TOTAL LIABILITIES	<u><u>1,552,776</u></u>	<u><u>1,155,151</u></u>	<u><u>2,707,927</u></u>	<u><u>1,677,733</u></u>
NET ASSETS:				
Invested in Capital Assets (net of related debt)	3,034,634	-	3,034,634	2,427,587
Restricted	1,622,070	-	1,622,070	672,735
Unrestricted	3,458,421	1,246,327	4,704,748	5,418
	<u>8,115,125</u>	<u>1,246,327</u>	<u>9,361,452</u>	<u>3,105,740</u>
TOTAL NET ASSETS	<u><u>\$ 8,115,125</u></u>	<u><u>\$ 1,246,327</u></u>	<u><u>\$ 9,361,452</u></u>	<u><u>\$ 3,105,740</u></u>

See accompanying notes to financial statements.

County of Crawford, Michigan

Statement of Activities For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 126,159	\$ -	\$ -	\$ -	\$ (126,159)	\$ -	\$ (126,159)	\$ -
Judicial	1,239,371	397,856	474,144	-	(367,371)	-	(367,371)	-
General Government	1,778,372	434,323	258,355	-	(1,085,694)	-	(1,085,694)	-
Public Safety	3,155,444	720,877	324,707	-	(2,109,860)	-	(2,109,860)	-
Health & Welfare	1,525,903	252,247	713,963	-	(559,693)	-	(559,693)	-
Community/Economic Development	77,732	80	58,237	-	(19,415)	-	(19,415)	-
Recreation & Culture	419,163	152,669	53,182	-	(213,312)	-	(213,312)	-
Interest Expense - Unallocated	63,854	-	-	-	(63,854)	-	(63,854)	-
Other Expenses	309,930	-	-	-	(309,930)	-	(309,930)	-
Total Governmental Activities	8,695,928	1,958,052	1,882,588	-	(4,855,288)	-	(4,855,288)	-
Business-type activities:								
Sheriff Commissary	28,572	29,596	-	-	-	1,024	1,024	-
Tax Collection	128,744	320,525	-	-	-	191,781	191,781	-
Total Business-type Activities	157,316	350,121	-	-	-	192,805	192,805	-
Total Primary Government	\$ 8,853,244	\$ 2,308,173	\$ 1,882,588	\$ -	(4,855,288)	192,805	(4,662,483)	-
Component Units:								
Road Commission	\$ 3,721,187	\$ 954,939	\$ 3,047,172	\$ -				280,924
Economic Development	-	-	-	-				-
Total Component Units	3,721,187	954,939	3,047,172	-				280,924
Total	\$ 12,574,431	\$ 3,263,112	\$ 4,929,760	\$ -				
General Revenues and Transfers:								
Taxes					5,640,182	-	5,640,182	-
Gain on Equipment and Disposal					-	-	-	207,326
Federal, State, & Local - General					48,080	-	48,080	-
Investment Earnings (Loss)					118,244	35,193	153,437	20,923
Transfers					140,147	(140,147)	-	-
Total General Revenues and Transfers					5,946,653	(104,954)	5,841,699	228,249
Change in Net Assets					1,091,365	87,851	1,179,216	509,173
Net Assets - Beginning					7,023,760	1,158,476	8,182,236	2,596,567
Net Assets - Ending					\$ 8,115,125	\$ 1,246,327	\$ 9,361,452	\$ 3,105,740

See accompanying notes to financial statements.

County of Crawford, Michigan

Balance Sheet Governmental Funds September 30, 2006

	General	Revenue Sharing Reserve	County Library	Housing Commission	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Investments - Unrestricted	\$ 725,037	\$ 200,000	\$ 461,018	\$ 94,894	\$ 977,122	\$ 2,458,071
Due from Other Funds	-	1,413,510	-	-	-	1,413,510
Receivables:						
Accounts	-	-	-	-	210,644	210,644
Taxes	1,077,785	-	-	-	-	1,077,785
Notes	-	-	-	1,376,956	138,429	1,515,385
Interest	-	6,160	-	-	-	6,160
Advances	2,400	-	-	-	-	2,400
Inventory	-	-	-	-	2,010	2,010
Due from Governmental Units	100,729	-	-	19,196	22,241	142,166
Other Assets	-	-	-	27,676	-	27,676
Prepaid Expenses	87,913	-	-	-	-	87,913
TOTAL ASSETS	<u>\$ 1,993,864</u>	<u>\$ 1,619,670</u>	<u>\$ 461,018</u>	<u>\$ 1,518,722</u>	<u>\$ 1,350,446</u>	<u>\$ 6,943,720</u>
LIABILITIES:						
Due to Other Funds	\$ 1,334,890	\$ -	\$ -	\$ -	\$ 69,842	\$ 1,404,732
Accounts Payable	105,361	-	20,909	2,785	44,447	173,502
Accrued Liabilities	74,094	-	6,239	3,097	42,095	125,525
Due to Governmental Units	1,894	-	-	253	718	2,865
Deferred Revenue	-	-	-	1,376,956	138,429	1,515,385
Accrued Compensated Absences	-	-	-	-	6,508	6,508
TOTAL LIABILITIES	<u>1,516,239</u>	<u>-</u>	<u>27,148</u>	<u>1,383,091</u>	<u>302,039</u>	<u>3,228,517</u>
FUND BALANCES:						
Reserved	2,400	1,619,670	-	-	-	1,622,070
Unreserved:						
Undesignated	475,225	-	-	-	-	475,225
Designated	-	-	433,870	135,631	1,048,407	1,617,908
TOTAL FUND BALANCES	<u>477,625</u>	<u>1,619,670</u>	<u>433,870</u>	<u>135,631</u>	<u>1,048,407</u>	<u>3,715,203</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,993,864</u>	<u>\$ 1,619,670</u>	<u>\$ 461,018</u>	<u>\$ 1,518,722</u>	<u>\$ 1,350,446</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						4,125,903
Long term notes & leases payable for governmental activities						(1,110,952)
Compensated absences liability						(115,711)
Internal Service Funds Activity						3,010
Deferred revenue recognized as current revenue						1,515,385
Accrued Interest Expense						(17,713)
Net assets of governmental activities						<u>\$ 8,115,125</u>

See accompanying notes to financial statements.

County of Crawford, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended September 30, 2006

	General	Revenue Sharing Reserve	County Library	Housing Commission	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 3,563,091	\$ 1,005,492	\$ 232,027	\$ -	\$ 839,572	\$ 5,640,182
Licenses & Permits	27,161	-	-	-	167,934	195,095
Federal Sources	325,607	-	-	136,363	139,696	601,666
State Sources	600,101	-	17,210	79,867	342,902	1,040,080
Local Sources	-	-	-	-	240,842	240,842
Charges for Services	660,325	-	2,939	-	630,945	1,294,209
Interest & Rentals	67,604	-	7,238	10,298	33,104	118,244
Other Revenue	78,784	6,160	147,251	75,254	141,808	449,257
TOTAL REVENUES	5,322,673	1,011,652	406,665	301,782	2,536,803	9,579,575
EXPENDITURES:						
Legislative	126,159	-	-	-	-	126,159
Judicial	1,204,977	-	-	-	34,394	1,239,371
General Government	1,270,444	-	-	-	313,544	1,583,988
Public Safety	2,085,136	-	-	-	1,070,308	3,155,444
Health & Welfare	84,690	-	-	387,134	1,054,079	1,525,903
Recreation & Cultural	-	-	381,579	-	37,584	419,163
Community/Economic Development	-	-	-	-	77,732	77,732
Capital Outlay	68,046	-	1,716	-	143,154	212,916
Debt Service	-	-	-	-	278,903	278,903
Other Expenditures	234,670	-	-	-	63,752	298,422
TOTAL EXPENDITURES	5,074,122	-	383,295	387,134	3,073,450	8,918,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	248,551	1,011,652	23,370	(85,352)	(536,647)	661,574
OTHER FINANCING SOURCES (USES):						
Note Proceeds	-	-	-	-	19,683	19,683
Operating Transfers In	130,466	706	96,294	-	662,396	889,862
Operating Transfers Out	(253,676)	(200,000)	-	-	(296,039)	(749,715)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	125,341	812,358	119,664	(85,352)	(150,607)	821,404
FUND BALANCES, OCTOBER 1	352,284	807,312	314,206	220,983	1,199,014	2,893,799
FUND BALANCES, SEPTEMBER 30	\$ 477,625	\$ 1,619,670	\$ 433,870	\$ 135,631	\$ 1,048,407	\$ 3,715,203

County of Crawford, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities September 30, 2006

Net Changes in fund balances – total governmental funds \$ 821,404

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$181,933) and loss on capital assets disposals of (\$16,170) exceeded capital outlays \$201,408. 3,305

Repayment of principal is an expenditure in the governmental fund but reduces the liability in the statement of net assets.

Principal repayments: 212,633
Bond and lease principal

Note proceeds are another financing source in the governmental funds, but increases the liability in the statement of net assets.

Note proceeds (19,683)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses, and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	\$ 3,719	
Accrued interest on bonds	<u>2,416</u>	6,135

Deferred revenue on the governmental funds is recognized as revenue under full accrual accounting. 67,571

Changes in net assets of governmental funds \$ 1,091,365

Statement of Net Assets
Proprietary Funds
September 30, 2006

	Enterprise Funds				Internal Service Fund
	Prior Delinquent Tax	2005 Delinquent Tax	Other Funds	Totals	
ASSETS:					
Cash & Investments	\$ 927,769	\$ 467,646	\$ 15,913	\$ 1,411,328	\$ -
Receivables:					
Taxes	809	697,219	172,901	870,929	-
Interest	751	48,672	48,391	97,814	-
Accounts	-	-	-	-	4,036
Due from Other Governmental Units	-	15,199	13,392	28,591	-
Due from Other Funds	-	-	36,762	36,762	-
Other Assets	365	-	203	568	-
TOTAL ASSETS	<u>\$ 929,694</u>	<u>\$ 1,228,736</u>	<u>\$ 287,562</u>	<u>\$ 2,445,992</u>	<u>\$ 4,036</u>
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ 44,514	\$ 44,514	\$ 1,026
Accounts Payable	-	-	-	-	-
Due to Other Governmental Units	5,049	-	102	5,151	-
Bonds Payable	-	1,150,000	-	1,150,000	-
TOTAL LIABILITIES	<u>5,049</u>	<u>1,150,000</u>	<u>44,616</u>	<u>1,199,665</u>	<u>1,026</u>
NET ASSETS:					
Unrestricted	<u>924,645</u>	<u>78,736</u>	<u>242,946</u>	<u>1,246,327</u>	<u>3,010</u>
TOTAL NET ASSETS	<u>\$ 924,645</u>	<u>\$ 78,736</u>	<u>\$ 242,946</u>	<u>\$ 1,246,327</u>	<u>\$ 3,010</u>

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
For the Year Ended September 30, 2006**

	Enterprise Funds			
	Prior Delinquent Tax	2005 Delinquent Tax	Other Funds	Internal Service Fund
			Totals	
OPERATING REVENUES:				
Charges for Services	\$ 423	\$ 30,140	\$ 161,224	\$ -
Interest & Rentals	1,016	74,080	83,238	-
Total Operating Revenues	1,439	104,220	244,462	-
OPERATING EXPENSES:				
General & Administrative	-	-	108,097	-
Other Expenses	808	10,677	2,700	-
Total Operating Expenses	808	10,677	110,797	-
OPERATING INCOME (LOSS)	631	93,543	133,665	-
NON-OPERATING REVENUES (EXPENSES):				
Interest on Deposits	29,224	5,969	-	-
Interest & Fiscal Charges	-	(20,776)	(14,258)	-
Total Non-operating Revenues (Expenses)	29,224	(14,807)	(14,258)	-
INCOME (LOSS) BEFORE TRANSFERS	29,855	78,736	119,407	-
Operating Transfers In	-	-	11,733	-
Operating Transfers Out	(11,733)	-	(140,147)	-
CHANGES IN NET ASSETS	18,122	78,736	(9,007)	-
NET ASSETS, OCTOBER 1	906,523	-	251,953	3,010
NET ASSETS, SEPTEMBER 30	\$ 924,645	\$ 78,736	\$ 242,946	\$ 3,010

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended September 30, 2006

	Enterprise Funds				
	Prior Delinquent Tax	2005 Delinquent Tax	Nonmajor Funds	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 11,038	\$ 918,904	\$ 869,983	\$ 1,799,925	\$ 9,714
Payments to Suppliers	(22,798)	(1,586,451)	(115,996)	(1,725,245)	-
Internal Activity - Payments/Receipts with Other Funds	(5,785)	-	41,476	35,691	(9,714)
Net Cash Provided (Used) by Operating Activities	(17,545)	(667,547)	795,463	110,371	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating transfers in	-	-	11,733	11,733	-
Operating transfers out	(11,733)	-	(140,147)	(151,880)	-
Net Cash Provided (Used) by Non-capital Financing Activities	(11,733)	-	(128,414)	(140,147)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Bond Proceeds	-	1,150,000	-	1,150,000	-
Principal Payments	-	-	(700,000)	(700,000)	-
Interest Payments	-	(20,776)	(14,258)	(35,034)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	1,129,224	(714,258)	414,966	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	29,224	5,969	-	35,193	-
Net Cash Provided (Used) by Investing Activities	29,224	5,969	-	35,193	-
Net Increase (Decrease) in Cash and Cash Equivalents	(54)	467,646	(47,209)	420,383	-
Cash and Cash Equivalents - Beginning of the Year	927,823	-	63,122	990,945	-
Cash and Cash Equivalents - End of the Year	<u>\$ 927,769</u>	<u>\$ 467,646</u>	<u>\$ 15,913</u>	<u>\$ 1,411,328</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 631	\$ 93,543	\$ 133,665	\$ 227,839	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Taxes Receivable	7,129	(697,219)	636,525	(53,565)	-
Accounts Receivable	-	-	-	-	9,714
Interest Receivable	2,317	(48,672)	35,108	(11,247)	-
Due from Other Governmental Units	-	(15,199)	(13,392)	(28,591)	-
Other Assets	153	-	4,042	4,195	-
Due from Other Funds	-	-	(36,762)	(36,762)	-
Increase (Decrease) in Liabilities:					
Due to other funds	(5,785)	-	41,476	35,691	(9,714)
Accounts Payable	-	-	(1,096)	(1,096)	-
Due to Other Governmental Units	(21,990)	-	(4,103)	(26,093)	-
Net Cash Provided by Operating Activities	<u>\$ (17,545)</u>	<u>\$ (667,547)</u>	<u>\$ 795,463</u>	<u>\$ 110,371</u>	<u>\$ -</u>

**Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006**

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents	\$ 1,821,848
 TOTAL ASSETS	 \$ 1,821,848
 LIABILITIES:	
Accrued Liabilities	\$ 56,054
Due to Governmental Units	<u>1,765,794</u>
 TOTAL LIABILITIES	 \$ 1,821,848

Component Units

County of Crawford, Michigan

Statement of Net Assets Component Units September 30, 2006

	Road Commission	Economic Development Corporation	Totals
ASSETS:			
Cash & Investments	\$ 770,843	\$ 5,418	\$ 776,261
Accounts Receivable	511,724	-	511,724
Prepaid Expenses	76,742	-	76,742
Inventories	153,171	-	153,171
Capital Assets (net)	3,265,575	-	3,265,575
TOTAL ASSETS	\$4,778,055	\$ 5,418	\$ 4,783,473
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 142,806	\$ -	\$ 142,806
Accrued Liabilities	55,271	-	55,271
Accrued Interest Payable	2,309	-	2,309
Advances from State	163,539	-	163,539
Deferred Revenue	411,868	-	411,868
Bonds Payable	65,000	-	65,000
Capital Leases Payable	202,164	-	202,164
Noncurrent Liabilities:			
Bonds Payable	205,000	-	205,000
Capital Leases Payable	365,824	-	365,824
Vested Employee Benefits	63,952	-	63,952
TOTAL LIABILITIES	1,677,733	-	1,677,733
NET ASSETS:			
Invested in Capital Assets, net of related debt	2,427,587	-	2,427,587
Restricted for County Road	672,735	-	672,735
Unrestricted	-	5,418	5,418
TOTAL NET ASSETS	\$3,100,322	\$ 5,418	\$ 3,105,740

County of Crawford, Michigan

Statement of Activities Component Units For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
Road Commission:							
Public Works	\$ 3,721,187	\$ 954,939	\$ 3,047,172	\$ -	\$ 280,924	\$ -	\$ 280,924
Economic Development Corporation							
Community/Economic Development	-	-	-	-	-	-	-
Total Component Units	<u>\$ 3,721,187</u>	<u>\$ 954,939</u>	<u>\$ 3,047,172</u>	<u>\$ -</u>	<u>280,924</u>	<u>-</u>	<u>280,924</u>
General Revenues:							
Interest on Deposits					20,907	16	20,923
Gain on Equipment Disposal					207,326	-	207,326
Total General Revenues					<u>228,233</u>	<u>16</u>	<u>228,249</u>
Change in Net Assets					509,157	16	509,173
Net Assets - Beginning					2,591,165	5,402	2,596,567
Net Assets - Ending					<u>\$ 3,100,322</u>	<u>\$ 5,418</u>	<u>\$ 3,105,740</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Crawford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

Financial Reporting Entity

The County of Crawford, Michigan was organized in 1845 and covers an area approximately 576 square miles with the County Seat located in Grayling, Michigan. The County is governed by an elected seven member board. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the County of Crawford and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

Crawford County Building Authority - The Authority is an entity legally separate from the County. The Authority is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

Discretely Presented Component Units

The component unit column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Crawford County Road Commission - The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Crawford County Road Commission
500 Huron Street
Grayling, MI 49738

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Crawford County Economic Development Corporation - The Corporation is a legally separate non profit corporation whose primary purpose is to promote economic development in Crawford County. The board of the corporation is governed by a board appointed by the Commission and is reported as if it were part of the County's operations because the approval of the corporation's annual budget is subject to the approval of the Commission and is financially accountable to the County.

Jointly Governed Organization

District #10 Health Department - The County of Crawford, in conjunction with nine other counties, has created the District #10 Health Department. The Board of the Health Department is composed of 10 members from each of the boards of the participating governments. The County of Crawford appropriated \$88,119 (6.8% of total local appropriations) to the District #10 Health Department for the year ended September 30, 2006.

North Central Michigan Mental Health Department - The County of Crawford, in conjunction with Wexford and Roscommon, has created the North Central Michigan Mental Health Department. The board of the Mental Health Department is composed of 12 members from each of the boards of the participating governments. The County of Crawford appropriated \$42,788 (17.3% of total local appropriations) to the Northern Michigan Community Mental Health Board for the year ended September 30, 2006.

Multi-County Agency – The County participates jointly in the operation of the Otsego-Crawford County Department of Human Services (a special revenue fund of Otsego and Crawford County). Most financial operations of the Agency are recorded in Otsego County.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Crawford property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Crawford as of the preceding December 31st.

Although the County of Crawford 2005 ad valorem tax is levied and collectible on December 1, 2005, and 2006 ad valorem tax is levied and collectible on July 1, 2006, it is the County of Crawford's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2005 taxable valuation of the County of Crawford totaled \$518,045,313, on which ad valorem taxes levied consisted of 4.0703 mills for the County operating, .2900 mills for Library Debt, .4468 mills for Library Operating, .8936 mills for Sheriff Operating, .4695 mills for Commission on Aging, .4856 mills for Recreation Authority, .7042 mills for Public Transit, raising \$2,120,706 for County Operating, \$150,233 for Library Debt, \$231,463 for Library Operating, \$462,925 for Sheriff Operating, \$243,222 for Commission on Aging, \$251,563 for Recreation Authority, and \$364,808 for Public Transit. In accordance with state law the County recorded an amount equal to 1/3 of the 2004 operating levy in its Revenue Sharing Reserve Fund. This amount is funded from the 2005 operating levy. These amounts are recognized in the respective General, Special Revenue, and Agency Fund financial statements as taxes receivable – current or as tax revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The July 1, 2006 taxable valuation of County of Crawford totaled \$543,015,260, on which ad valorem taxes levied consisted of 4.0494 mills for the General Fund raising \$2,146,471, this amount is recognized in the General Fund financial statements as revenue.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve

The Revenue Sharing Reserve fund accounts for tax monies set aside to fund revenue sharing for the County for the next three years.

County Library

The County Library provides cultural and educational enrichment to the residents of Crawford County.

Housing Commission

This fund provides loans to individuals in Crawford County for low income housing and rehabilitation of existing homes.

The County reports the following major proprietary funds:

Prior Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

2005 Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

Special Revenue Funds - The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds - The debt service funds accounts for the servicing of general long-term debt not being financed by proprietary or permanent trust funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Fund – The capital project fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds)

Internal Service Funds - Internal service funds account for the operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Except for the Commission on Aging, all other inventories, including the cost of supplies, are expensed when purchased. Certain payments for insurance charges reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The County’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation leave in accordance with the applicable bargaining unit contract. Under special circumstances, the carry-over provision may be exceeded if authorized by the Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County's employment policies provide for sick leave benefits to be earned in accordance with the applicable bargaining unit contract. When employees separate from employment with the County, bargaining unit employees are entitled to be compensated for earned paid leave time that has accrued. However, non-union employees have no such entitlement to accrued time off.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents – Unrestricted	\$ 2,458,071	\$ 1,411,328	\$ 3,869,399	\$ 1,821,848	\$ 776,261
Total	\$ 2,458,071	\$ 1,411,328	\$ 3,809,399	\$ 1,821,848	\$ 776,261
		<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	
Bank Deposits (checking and savings accounts, certificates of deposit and money markets)		\$ 3,860,048	\$ 1,821,848	\$ 776,061	
Petty Cash and Cash on Hand		9,351	-	200	
Total		\$ 3,869,399	\$ 1,821,848	\$ 776,261	

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$5,736,494 of the County's bank balance of \$6,579,294 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 3,727,500	\$ -	\$ -	\$ 3,727,500

NOTE 4 - CAPITAL ASSETS

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Buildings and improvements	3,500,000	-	-	3,500,000
Furniture and equipment	206,839	63,382	-	270,221
Vehicles	<u>320,032</u>	<u>138,026</u>	<u>139,428</u>	<u>318,630</u>
Subtotal	<u>4,026,871</u>	<u>201,408</u>	<u>139,428</u>	<u>4,088,851</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,237,500)	(87,500)	-	(3,325,000)
Furniture and equipment	(172,459)	(24,999)	-	(197,458)
Vehicles	<u>(221,814)</u>	<u>(69,434)</u>	<u>123,258</u>	<u>(167,990)</u>
Subtotal	<u>(3,631,773)</u>	<u>(181,933)</u>	<u>123,258</u>	<u>(3,690,448)</u>
Net capital assets being depreciated	<u>395,098</u>	<u>19,475</u>	<u>(16,170)</u>	<u>398,403</u>
Capital Assets – Net of Depreciation	<u>\$ 4,122,598</u>	<u>\$ 19,475</u>	<u>\$ (16,170)</u>	<u>\$ 4,125,903</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government \$ 181,933

Total Governmental Activities \$ 181,933

Capital asset activity of the Crawford County Road Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$ 73,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,092</u>
Capital assets being depreciated:				
Buildings	1,924,597	-	-	1,924,597
Equipment – road	3,571,786	675,825	336,050	3,911,561
Equipment – shop	63,297	-	-	63,297
Equipment – office	145,073	4,528	-	149,601
Equipment – engineer	4,983	-	-	4,983
Depletable assets	50,282	-	-	50,282
Infrastructure – roads	<u>367,972</u>	<u>572,596</u>	<u>-</u>	<u>940,568</u>
Subtotal	<u>6,127,990</u>	<u>1,252,949</u>	<u>336,050</u>	<u>7,044,889</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation:				
Buildings	560,295	45,608	-	605,903
Equipment – road	3,012,545	270,399	290,281	2,992,663
Equipment – shop	54,452	2,335	-	56,787
Equipment – office	109,137	14,346	-	123,483
Equipment – engineer	4,401	333	-	4,734
Depletable assets	49,107	-	-	49,107
Infrastructure – roads	<u>2,827</u>	<u>16,902</u>	<u>-</u>	<u>19,729</u>
Subtotal	<u>3,792,764</u>	<u>349,923</u>	<u>290,281</u>	<u>3,852,406</u>
Net capital assets being depreciated	<u>2,335,226</u>	<u>903,026</u>	<u>45,769</u>	<u>3,192,483</u>
Total Net Capital Assets	<u>\$ 2,408,318</u>	<u>\$ 903,026</u>	<u>\$ 45,769</u>	<u>\$ 3,265,575</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivable and Payable are as follows:

	DUE FROM OTHER FUNDS			
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Revenue Sharing Reserve	\$ 1,334,890	\$ 70,868	\$ 7,752	\$ 1,413,510
Nonmajor Enterprise	<u>-</u>	<u>-</u>	<u>36,762</u>	<u>36,762</u>
Total	<u>\$ 1,334,890</u>	<u>\$ 70,868</u>	<u>\$ 44,514</u>	<u>\$ 1,450,272</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

TRANSFERS IN	TRANSFERS (OUT)					
	General Fund	Revenue Sharing	Prior Delinquent Tax	Nonmajor Governmental	Nonmajor Enterprise	Total
General Fund	\$ -	\$ -	\$ -	\$ 121,319	\$ 9,147	\$ 130,466
Library	-	-	-	96,294	-	96,294
Revenue Sharing Reserve	706	-	-	-	-	706
Nonmajor Governmental	252,970	200,000	-	78,426	131,000	662,396
Nonmajor Enterprise	-	-	11,733	-	-	11,733
Total	<u>\$ 253,676</u>	<u>\$ 200,000</u>	<u>\$ 11,733</u>	<u>\$ 296,039</u>	<u>\$ 140,147</u>	<u>\$ 901,595</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LEASES

Capital Leases – The County leases equipment under capital leases with quarterly lease payments of \$16,521 including an interest rate of 6.2%. The lease qualifies as capital leases for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2007	<u>16,521</u>
Total minimum lease payments	16,521
Less amount representing interest	<u>(252)</u>
Present value of minimum lease payment	<u>\$ 16,269</u>

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
1990 Building Authority Bonds	5.3-8%	2009	\$ 225,000	\$ -	(50,000)	\$ 175,000	\$ 55,000
1997 Library	4.5-5.1%	2007	1,000,000	-	(100,000)	900,000	100,000
Total Governmental Activities			\$ 1,225,000	\$ -	\$ (150,000)	\$ 1,075,000	\$ 155,000
Business-Type Activities							
General Obligation Bonds							
2006 Tax Notes Series	Variable**	2009	\$ -	1,150,000	\$ -	\$ 1,150,000	\$ 1,150,000
2005 Tax Notes Series	Variable**	2008	700,000	-	(700,000)	-	-
Total Business-Type Activities			\$ 700,000	\$ 1,150,000	\$ (700,000)	\$ 1,150,000	\$ 1,150,000

Other Information on Long-Term Debt

The General Obligation Tax Notes were issued to finance the 100 percent Tax Payment Funds for the purchase of delinquent real property taxes in accordance with the provisions of Sections 211.87b, 211.87c, and 211.87d of the 1979 Compiled Laws, as amended. The assets of the respective 100 percent Tax Payment Funds are pledged for the payment of principal and interest on these notes.

* 1997 Building Authority general obligation bonds represent a legal partial defeasance of the 1990 Building Authority general obligation bonds.

**Interest payments vary according to payment dates and interest rates.

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 155,000	\$ 56,200
2008	160,000	47,700
2009	160,000	38,800
2010	100,000	29,900
2011-2015	500,000	75,500
Total	\$ 1,075,000	\$ 248,100

Vested benefits payable at September 30, 2006 is \$115,711.

NOTE 7 - LONG-TERM DEBT (Continued)

The Long-Term Debt of the Road Commission is composed of eight items; five capitalized leases, vested vacation and sick leave and Act 51 Bonds payable.

	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:				
Capitalized leases	\$ 443,401	\$ 124,587	\$ 567,988	\$ 202,164
Act 51 bonds	330,000	(60,000)	270,000	65,000
Compensated absences	64,370	(418)	63,952	-
	<u>\$ 837,771</u>	<u>\$ 64,169</u>	<u>\$ 901,940</u>	<u>\$ 267,164</u>

Capitalized Leases

<u>Payable to:</u>	<u>Lease Date</u>	<u>Equipment</u>	<u>Principal Due</u>
Caterpillar Financial, monthly payments of \$2,215 with a final payment of \$113,755 due 6/15/11, Interest rate 4.85%.	1/18/01	Motor Grader	\$ 200,165
Caterpillar Financial, monthly payments of \$2,215 with a final payment of \$113,755 due 6/15/11, interest rate 4.85%.	1/18/01	Motor Grader	200,165
Caterpillar Financial, monthly payments of \$705 with a final payment of \$70,705 due 6/14/07, interest rate 4.5%.	6/14/02	938G Loader	73,542
Caterpillar Financial, monthly payments of \$347 with a final payment of \$90,347 due 6/14/07, interest rate 4.5%.	6/14/02	950G Loader	90,132
Caterpillar Financial, quarterly payments of \$4,298 with a final payment due 1/20/07, interest rate 4.5%.	4/20/02	Soil Drum Compactor	<u>3,984</u>
Total Capitalized Leases			<u>\$ 567,988</u>

The Act 51 Bonds were issued June 18, 1990 in the amount of \$1,000,000 for the purpose of defraying part of the cost of acquiring and constructing a maintenance garage facility. Interest payments are required semi-annually on February 1st and August 1st. Principal payments are due annually on August 1st. Interest rates varied from 6.8% to 9.12%.

NOTE 7 - LONG-TERM DEBT (Continued)

The bonds were refunded on October 21, 1997 with a resulting weighted average interest rate of 6.418%. The net present value savings of the refinancing is \$41,837 with a net cumulative savings of \$55,819. The first call date for the bonds is August 1, 2007 with the first callable maturity being August 1, 2008.

A schedule of the outstanding debt follows:

<u>Payment Date</u>	<u>Outstanding Principal</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Annualized Total</u>
Feb - 2007		6,676	6,676	
Aug - 2007	65,000	6,677	71,677	78,353
Feb - 2008		5,100	5,100	
Aug - 2008	65,000	5,100	70,100	75,200
Feb - 2009		3,475	3,475	
Aug - 2009	70,000	3,475	73,475	76,950
Feb - 2010		1,690	1,690	
Aug - 2010	<u>70,000</u>	<u>(3,310)</u>	<u>66,690</u>	<u>68,380</u>
	<u>\$ 270,000</u>	<u>\$ 28,883</u>	<u>\$ 298,883</u>	

Total debt payments due in future years are shown below:

	<u>Capitalized Leases</u>		<u>Act 51 bonds</u>	
	<u>Outstanding Principal</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Annualized Total</u>
2007	202,164	23,561	65,000	13,353
2008	36,218	16,944	65,000	10,200
2009	38,014	15,148	70,000	6,950
2010	39,899	13,263	70,000	(1,620)
2011	<u>251,693</u>	<u>7,749</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 567,988</u>	<u>\$ 76,665</u>	<u>\$ 270,000</u>	<u>\$ 28,883</u>

NOTE 8 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2006.

NOTE 8 - CONTINGENT LIABILITIES (Continued)

Litigation - The County is involved in various lawsuits now pending. It is the opinion of the County and of its counsel that the outcome of the various lawsuits will not materially affect the operations or the financial position of the County. The amount of all legal costs relating to such actions are not currently determinable.

NOTE 9 - RISK MANAGEMENT

In 1996, the County of Crawford signed the Michigan Township Participating Plan, which is a risk management program that will lessen or prevent the incidence or severity of casualty losses in the operations of its members. The programs are subject to change in the future. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of any potential additional assessments.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0-2.50 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2005.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the fiscal year ended September 30, 2006, the County's contributions totaling \$402,564 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent attributable to inflation and additional projected salary increases of .30 to 8.40 percent per year depending on age, attributable to seniority/merit.

Three year trend information as of December 31st follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 5,723,532	\$ 6,122,077	\$ 6,624,034
Actuarial Accrued Liability	8,773,218	9,979,001	10,333,498
Unfunded AAL	3,049,686	3,856,924	3,709,464
Funded Ratio	65%	61%	64%
Covered Payroll	2,193,477	2,348,913	2,456,829
UAAL as a Percentage of Covered Payroll	139%	164%	151%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 308,706	100%	0
2004	286,022	100%	0
2005	342,775	100%	0

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**ROAD COMMISSION**Description of Plan and Plan Assets

The Road Commission is an agent, multi-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% or 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute based on gross wages by County Road Commission only.

Annual Pension Cost

For year ended September 30, 2006, the Crawford County Road Commission's pension cost of \$210,481 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2005, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31 follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 2,097,570	\$ 2,334,831	\$ 2,533,405
Actuarial Accrued Liability	4,407,387	4,872,272	5,081,828
Unfunded AAL	2,309,817	2,537,441	2,548,423
Funded Ratio	48%	48%	50%
Covered Payroll	1,254,731	1,336,640	1,328,292
UAAL as a Percentage of Covered Payroll	184%	190%	192%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	191,302	100%	0
2004	205,426	100%	0
2005	209,085	100%	0

NOTE 11 - POST RETIREMENT BENEFITS OTHER THAN PENSION

The County provides post retirement hospitalization to deputies of the Sheriff's Department pursuant to the terms of union contracts. Additionally, one elected County official currently receives post retirement hospitalization, pursuant to board of commission resolution.

The County funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2006, the County paid hospitalization premiums for 9 qualified individuals totaling \$78,976. Actuarial valuations of estimated future costs were not available.

In addition to the pension benefits, the Road Commission provides postretirement health care benefits for retirees who are between the ages of 62 and 65. The Road Commission pays the premium for the retiree and one half of the premium expense for spouse coverage. This benefit is established by union contract and is funded on a pay-as-you go basis. The cost for this benefit for the year ended September 30, 2006, was \$63,479.

NOTE 12 - NOTES RECEIVABLE:

The following is a summary of the notes receivable:

	Balance 10/01/05	Additions	Reductions	Balance 09/30/06
Housing Commission:				
Loans	\$ 1,267,358	\$ 249,640	\$ (187,036)	\$ 1,329,962
Milltown	49,546	-	(2,552)	46,994
Economic Development	<u>130,910</u>	<u>10,850</u>	<u>(3,331)</u>	<u>138,429</u>
TOTALS	<u>\$ 1,447,814</u>	<u>\$ 260,490</u>	<u>\$ (192,919)</u>	<u>\$ 1,515,385</u>

NOTE 13 - FUND EQUITY RESERVES AND DESIGNATIONS:

Fund equity reserves/designations can be described as follows:

General Fund	\$ 2,400	Reserved for Grayling Recreation Authority
Debt Service	\$ 40,425	Designated for Bond Payment
Special Revenue	\$ 1,577,483	Designated for Fund Purpose
Revenue Sharing Reserve	\$ 1,619,670	Reserved for Revenue Sharing

NOTE 14 - NET ASSET RESTRICTIONS:

Net asset restrictions can be described as follows:

Government Activities	\$ 2,400	Restricted for Grayling Recreation Authority
Government Activities	\$ 1,619,670	Restricted for Revenue Sharing
Component Unit	\$ 672,735	Restricted for Roads

Required Supplemental Information

County of Crawford, Michigan**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 4,446,275	\$ 3,571,084	\$ 3,563,091	\$ (7,993)
Licenses and Permits	35,000	28,500	27,161	(1,339)
Federal Grants	326,809	349,259	325,607	(23,652)
State Grants	632,486	628,602	600,101	(28,501)
Charges for Services	629,820	667,920	660,325	(7,595)
Interest & Rentals	56,400	66,650	67,604	954
Other Revenues	60,725	97,725	78,784	(18,941)
TOTAL REVENUES	6,187,515	5,409,740	5,322,673	(87,067)
EXPENDITURES:				
Legislative:				
Board of Commissioners	133,998	129,298	126,159	3,139
General Government:				
Corporate Counsel	8,000	28,000	27,314	686
Elections	15,200	15,200	14,540	660
County Clerk	201,473	199,473	195,761	3,712
Controller's Office	113,187	113,187	109,501	3,686
Equalization	164,110	163,610	160,289	3,321
Prosecuting Attorney	332,875	335,276	333,059	2,217
Crime Victims Program	38,350	40,350	39,979	371
Purchasing	45,800	42,800	42,372	428
County Treasurer	133,824	128,824	123,962	4,862
Data Processing	45,859	45,859	44,656	1,203
Buildings and Grounds	144,115	185,415	178,711	6,704
Drain Commission	750	750	-	750
Conservation	300	300	300	-
Total general government	1,243,843	1,299,044	1,270,444	28,600
Judicial:				
Trial Court	1,118,432	1,109,932	1,105,401	4,531
Court Appointed Attorneys	100,284	99,784	99,576	208
Jury Commission	750	750	-	750
Total judicial	1,219,466	1,210,466	1,204,977	5,489

County of Crawford, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	914,462	919,462	916,558	2,904
Marine Department	20,900	32,800	32,384	416
Snowmobile	17,334	14,834	14,710	124
Bailiff	1,077	11,577	11,211	366
Secondary Road Patrol	82,028	73,028	70,020	3,008
Jail	889,635	902,635	897,742	4,893
Inmate Transportation	4,824	10,324	10,094	230
Grayling Township Officer	-	14,000	13,522	478
Dare Program	-	9,000	8,694	306
Emergency Preparedness	41,706	63,206	62,709	497
Animal Control	48,140	48,140	47,492	648
Total public safety	2,020,106	2,099,006	2,085,136	13,870
Health And Welfare:				
Substance Abuse	41,266	40,266	40,257	9
Medical Examiner	35,000	33,000	32,861	139
Burial Expense	6,750	11,575	11,572	3
Total health and welfare	83,016	84,841	84,690	151
Capital Outlay	34,607	70,106	68,046	2,060
Other Expenditures:				
Appropriations	137,916	138,415	138,126	289
Fringe Benefits	109,000	100,675	30,160	70,515
Insurance	110,000	84,000	66,384	17,616
Other	273	273	-	273
Total other expenditures	357,189	323,363	234,670	88,693
TOTAL EXPENDITURES	5,092,225	5,216,124	5,074,122	142,002
EXCESS OF REVENUES OVER EXPENDITURES	1,095,290	193,616	248,551	54,935
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	129,000	129,000	130,466	1,466
Operating Transfers Out	(1,224,290)	(253,500)	(253,676)	(176)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 69,116	125,341	\$ 56,225
FUND BALANCES, OCTOBER 1			352,284	
FUND BALANCES, SEPTEMBER 30			\$ 477,625	

County of Crawford, Michigan

Required Supplemental Information Budgetary Comparison Schedule Revenue Sharing Reserve For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ -	\$ -	\$ 1,005,492	\$ 1,005,492
Other Revenues	-	-	6,160	6,160
TOTAL REVENUES	-	-	1,011,652	1,011,652
EXPENDITURES:				
General Government	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES (EXPENDITURES)	-	-	1,011,652	1,011,652
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	1,055,000	706	(1,054,294)
Operating Transfers Out	-	(200,000)	(200,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 855,000	812,358	\$ (42,642)
FUND BALANCE, OCTOBER 1			807,312	
FUND BALANCE, SEPTEMBER 30			\$ 1,619,670	

Required Supplemental Information
Budgetary Comparison Schedule
County Library
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Penalties	\$ 231,500	\$ 232,500	\$ 232,027	\$ (473)
State Sources	22,000	16,700	17,210	510
Charges for Services	3,200	2,400	2,939	539
Interest & Rentals	-	6,000	7,238	1,238
Other Revenues	144,200	163,805	147,251	(16,554)
TOTAL REVENUES	400,900	421,405	406,665	(14,740)
EXPENDITURES:				
Recreation & Culture	399,545	419,905	381,579	38,326
Capital Outlay	-	2,000	1,716	284
TOTAL EXPENDITURES	399,545	421,905	383,295	38,610
EXCESS OF REVENUES (EXPENDITURES)	1,355	(500)	23,370	23,870
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	96,294	96,294
Operating Transfers Out	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (500)	119,664	\$ 120,164
FUND BALANCE, OCTOBER 1			314,206	
FUND BALANCE, SEPTEMBER 30			\$ 433,870	

Required Supplemental Information
Budgetary Comparison Schedule
Housing Commission
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ -	\$ -	\$ 136,363	\$ 136,363
State Sources	50,450	50,450	79,867	29,417
Interest & Rentals	-	-	10,298	10,298
Other Revenues	100,787	350,787	75,254	(275,533)
TOTAL REVENUES	151,237	401,237	301,782	(99,455)
EXPENDITURES:				
Health & Welfare	151,237	401,237	387,134	14,103
TOTAL EXPENDITURES	151,237	401,237	387,134	14,103
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	(85,352)	\$ (85,352)
FUND BALANCE, OCTOBER 1			220,983	
FUND BALANCE, SEPTEMBER 30			\$ 135,631	

Other Supplemental Information

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

Special Revenue Funds								
	Revenue Sharing	Economic Development	Road Patrol Millage	Economic Development Partnership	Friend of the Court	Family Counseling	Enforcement/ Recycle	Liquor Law
ASSETS:								
Cash and Equivalents	\$ 21,704	\$ 179,074	\$ 44,340	\$ -	\$ 1,000	\$ 10,386	\$ 100,000	\$ 1,269
Accounts Receivable	-	1,364	-	20,102	-	-	43,750	-
Notes Receivable	-	138,429	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 21,704	\$ 318,867	\$ 44,340	\$ 20,102	\$ 1,000	\$ 10,386	\$ 143,750	\$ 1,269
LIABILITIES:								
Due to Other Funds	\$ -	\$ 7,533	\$ -	\$ 18,221	\$ -	\$ -	\$ 1,133	\$ -
Accounts Payable	-	-	936	-	-	-	12,464	-
Accrued Liabilities	-	-	8,037	1,881	-	-	2,585	-
Due to Governmental Units	-	-	718	-	-	-	-	-
Deferred Revenues	-	138,429	-	-	-	-	-	-
Accrued Compensated Absences	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	145,962	9,691	20,102	-	-	16,182	-
FUND EQUITY								
Fund Balances:								
Unreserved:								
Designated for Special Purposes	21,704	172,905	34,649	-	1,000	10,386	127,568	1,269
TOTAL FUND EQUITY	21,704	172,905	34,649	-	1,000	10,386	127,568	1,269
TOTAL LIABILITIES AND FUND EQUITY	\$ 21,704	\$ 318,867	\$ 44,340	\$ 20,102	\$ 1,000	\$ 10,386	\$ 143,750	\$ 1,269

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

Special Revenue Funds								
	COPS Grant	Building & Zoning	Sheriff's Youth Services	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Library
ASSETS:								
Cash and Equivalents	\$ 14,072	\$ 35,264	\$ 11,544	\$ -	\$ 17,787	\$ 2,340	\$ 3,290	\$ 840
Accounts Receivable	8,266	-	-	37,334	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Governmental Units	2,558	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 24,896	\$ 35,264	\$ 11,544	\$ 37,334	\$ 17,787	\$ 2,340	\$ 3,290	\$ 840
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ 20,007	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	6,016	519	13,620	-	1,606	-	-
Accrued Liabilities	1,937	2,789	-	-	-	489	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Deferred Revenues	-	-	-	-	-	-	-	-
Accrued Compensated Absences	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	1,937	8,805	519	33,627	-	2,095	-	-
FUND EQUITY								
Fund Balances:								
Unreserved:								
Designated for Special Purposes	22,959	26,459	11,025	3,707	17,787	245	3,290	840
TOTAL FUND EQUITY	22,959	26,459	11,025	3,707	17,787	245	3,290	840
TOTAL LIABILITIES AND FUND EQUITY	\$ 24,896	\$ 35,264	\$ 11,544	\$ 37,334	\$ 17,787	\$ 2,340	\$ 3,290	\$ 840

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

Special Revenue Funds								
	911	Correction Officer Training	Department of Human Services	Probate Child Care	Soldiers/ Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	Hatchery Restoration
ASSETS:								
Cash and Equivalents	\$ -	\$ 1,550	\$ 16,886	\$ 62,676	\$ 3,843	\$ 2,015	\$ 35,964	\$ 20,342
Accounts Receivable	52,244	-	-	16,581	-	-	9,679	16,522
Notes Receivable	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 52,244	\$ 1,550	\$ 16,886	\$ 79,257	\$ 3,843	\$ 2,015	\$ 45,643	\$ 36,864
LIABILITIES:								
Due to Other Funds	\$ 3,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	211	-	-	1,328	-	-	203	98
Accrued Liabilities	9,421	-	-	-	-	-	2,223	-
Due to Governmental Units	-	-	-	-	-	-	-	-
Deferred Revenues	-	-	-	-	-	-	-	-
Accrued Compensated Absences	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	12,897	-	-	1,328	-	-	2,426	98
FUND EQUITY								
Fund Balances:								
Unreserved:								
Designated for Special Purposes	39,347	1,550	16,886	77,929	3,843	2,015	43,217	36,766
TOTAL FUND EQUITY	39,347	1,550	16,886	77,929	3,843	2,015	43,217	36,766
TOTAL LIABILITIES AND FUND EQUITY	\$ 52,244	\$ 1,550	\$ 16,886	\$ 79,257	\$ 3,843	\$ 2,015	\$ 45,643	\$ 36,864

County of Crawford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

	Special Revenue Funds			Debt Service Funds		Capital Projects Fund		
	Homestead P.R.E. Audit	Commission on Aging	Court House Preservation	Building Authority	Library Debt	Animal Shelter	Construction	Total
ASSETS:								
Cash and Equivalents	\$ 5	\$ 330,887	\$ 19,621	\$ 947	\$ 39,476	\$ -	\$ -	977,122
Accounts Receivable	-	4,800	-	-	2	-	-	210,644
Notes Receivable	-	-	-	-	-	-	-	138,429
Inventory	-	2,010	-	-	-	-	-	2,010
Due from Other Governmental Units	-	-	-	-	-	19,683	-	22,241
TOTAL ASSETS	\$ 5	\$ 337,697	\$ 19,621	\$ 947	\$ 39,478	\$ 19,683	\$ -	1,350,446
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,683	\$ -	69,842
Accounts Payable	-	7,446	-	-	-	-	-	44,447
Accrued Liabilities	-	12,733	-	-	-	-	-	42,095
Due to Governmental Units	-	-	-	-	-	-	-	718
Deferred Revenues	-	-	-	-	-	-	-	138,429
Accrued Compensated Absences	-	6,508	-	-	-	-	-	6,508
TOTAL LIABILITIES	-	26,687	-	-	-	19,683	-	302,039
FUND EQUITY								
Fund Balances:								
Unreserved:								
Designated for Special Purposes	5	311,010	19,621	947	39,478	-	-	1,048,407
TOTAL FUND EQUITY	5	311,010	19,621	947	39,478	-	-	1,048,407
TOTAL LIABILITIES AND FUND EQUITY	\$ 5	\$ 337,697	\$ 19,621	\$ 947	\$ 39,478	\$ 19,683	\$ -	\$ 1,350,446

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2006

	Special Revenue Funds							
	Revenue Sharing	Economic Development	Road Patrol Millage	Economic Development Partnership	Friend of the Court	Family Counseling	Enforcement/ Recycle	Liquor Law
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ 458,682	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
State Grants	-	-	-	-	15,462	-	-	1,269
Local Contributions	-	3,542	-	54,695	-	-	-	-
Charges for Services	-	-	-	-	6,740	1,292	150,941	-
Interest & Rentals	-	10,792	-	-	-	-	4,428	-
Other Revenues	-	80	14,000	-	-	-	-	-
TOTAL REVENUES	-	14,414	472,682	54,695	22,202	1,292	155,369	1,269
EXPENDITURES:								
General Government	-	-	-	-	-	-	192,246	-
Judicial	-	-	-	-	28,483	-	-	-
Public Safety	-	-	335,967	-	-	-	-	-
Health & Welfare	-	-	-	-	-	5,733	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Community/Economic Development	-	23,037	-	54,695	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Capital Outlay	-	-	102,066	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	23,037	438,033	54,695	28,483	5,733	192,246	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(8,623)	34,649	-	(6,281)	(4,441)	(36,877)	1,269
OTHER FINANCING SOURCES (USES):								
Note Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	200,000	-	-	-	6,526	-	-	-
Operating Transfers Out	(198,426)	-	-	-	-	-	-	(1,319)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,574	(8,623)	34,649	-	245	(4,441)	(36,877)	(50)
FUND BALANCES (DEFICIT), OCTOBER 1	20,130	181,528	-	-	755	14,827	164,445	1,319
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 21,704	\$ 172,905	\$ 34,649	\$ -	\$ 1,000	\$ 10,386	\$ 127,568	\$ 1,269

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2006

	Special Revenue Funds							
	COPS Grant	Building & Zoning	Sheriff's Youth Services	Remonu- mentation	Register of Deeds Automation	MSU Extension	Drug Enforcement	Law Library
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-	-
Licenses and Permits	-	167,934	-	-	-	-	-	-
State Grants	-	-	-	60,224	-	4,943	-	-
Local Contributions	34,113	-	-	-	-	6,941	-	-
Charges for Services	-	1,664	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-
Other Revenues	-	-	11,826	-	-	2,793	-	2,500
TOTAL REVENUES	34,113	169,598	11,826	60,224	-	14,677	-	2,500
EXPENDITURES:								
General Government	-	-	-	57,007	13,018	42,061	-	-
Judicial	-	-	-	-	-	-	-	5,911
Public Safety	84,638	175,895	11,346	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	19,435	1,970	-	-	-
Other Expenditures	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	84,638	175,895	11,346	76,442	14,988	42,061	-	5,911
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,525)	(6,297)	480	(16,218)	(14,988)	(27,384)	-	(3,411)
OTHER FINANCING SOURCES (USES):								
Note Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	37,000	15,000	-	3,000	31,770	27,100	-	3,500
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(13,525)	8,703	480	(13,218)	16,782	(284)	-	89
FUND BALANCES (DEFICIT), OCTOBER 1	36,484	17,756	10,545	16,925	1,005	529	3,290	751
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 22,959	\$ 26,459	\$ 11,025	\$ 3,707	\$ 17,787	\$ 245	\$ 3,290	\$ 840

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2006

	Special Revenue Funds							
	911	Correction Officer Training	Department of Human Services	Probate Child Care	Soldiers' Sailors' Relief	Michigan Veterans Trust	Youth Services Bureau	Hatchery Restoration
REVENUES:								
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-	23,265
Licenses and Permits	-	-	-	-	-	-	-	-
State Grants	2,038	-	-	189,518	-	-	-	-
Local Contributions	4,215	-	-	42,423	-	-	-	15,000
Charges for Services	426,162	1,040	-	-	-	-	-	-
Interest & Rentals	-	-	157	-	-	-	-	-
Other Revenues	-	-	-	18,465	-	2,246	78,540	2,475
TOTAL REVENUES	432,415	1,040	157	250,406	-	2,246	78,540	40,740
EXPENDITURES:								
General Government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public Safety	462,462	-	-	-	-	-	-	-
Health & Welfare	-	-	1,912	431,824	1,357	772	75,929	-
Recreation & Culture	-	-	-	-	-	-	-	37,584
Community/Economic Development	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	462,462	-	1,912	431,824	1,357	772	75,929	37,584
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,047)	1,040	(1,755)	(181,418)	(1,357)	1,474	2,611	3,156
OTHER FINANCING SOURCES (USES):								
Note Proceeds	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	1,000	205,000	1,500	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(30,047)	1,040	(755)	23,582	143	1,474	2,611	3,156
FUND BALANCES (DEFICIT), OCTOBER 1	69,394	510	17,641	54,347	3,700	541	40,606	33,610
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 39,347	\$ 1,550	\$ 16,886	\$ 77,929	\$ 3,843	\$ 2,015	\$ 43,217	\$ 36,766

County of Crawford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended September 30, 2006

	Special Revenue Funds			Debt Service Funds		Capital Projects Fund		
	Homestead P.R.E. Audit	Commission on Aging	Court House Preservation	Building Authority	Library Debt	Animal Shelter	Construction	Totals
REVENUES:								
Taxes and Penalties	\$ -	\$ 229,654	\$ -	\$ -	\$ 151,236	\$ -	\$ -	\$ 839,572
Federal Grants	-	116,431	-	-	-	-	-	139,696
Licenses and Permits	-	-	-	-	-	-	-	167,934
State Grants	-	69,448	-	-	-	-	-	342,902
Local Contributions	-	79,913	-	-	-	-	-	240,842
Charges for Services	-	-	43,106	-	-	-	-	630,945
Interest & Rentals	-	15,306	-	-	-	-	2,421	33,104
Other Revenues	-	8,879	-	-	4	-	-	141,808
TOTAL REVENUES	-	519,631	43,106	-	151,240	-	2,421	2,536,803
EXPENDITURES:								
General Government	9,212	-	-	-	-	-	-	313,544
Judicial	-	-	-	-	-	-	-	34,394
Public Safety	-	-	-	-	-	-	-	1,070,308
Health & Welfare	-	536,552	-	-	-	-	-	1,054,079
Recreation & Culture	-	-	-	-	-	-	-	37,584
Community/Economic Development	-	-	-	-	-	-	-	77,732
Debt Service	-	-	-	130,053	148,850	-	-	278,903
Capital Outlay	-	-	-	-	-	19,683	-	143,154
Other Expenditures	-	-	63,752	-	-	-	-	63,752
TOTAL EXPENDITURES	9,212	536,552	63,752	130,053	148,850	19,683	-	3,073,450
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,212)	(16,921)	(20,646)	(130,053)	2,390	(19,683)	2,421	(536,647)
OTHER FINANCING SOURCES (USES):								
Note Proceeds	-	-	-	-	-	19,683	-	19,683
Operating Transfers In	-	-	-	131,000	-	-	-	662,396
Operating Transfers Out	-	-	-	-	-	-	(96,294)	(296,039)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(9,212)	(16,921)	(20,646)	947	2,390	-	(93,873)	(150,607)
FUND BALANCES (DEFICIT), OCTOBER 1	9,217	327,931	40,267	-	37,088	-	93,873	1,199,014
FUND BALANCES (DEFICIT), SEPTEMBER 30	\$ 5	\$ 311,010	\$ 19,621	\$ 947	\$ 39,478	\$ -	\$ -	\$ 1,048,407

County of Crawford, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds September 30, 2006

	Sheriff Commissary	2003 Delinquent Tax	DTRF Admin	2004 Delinquent Tax	2002 Delinquent Tax	Totals
ASSETS:						
Cash and Equivalents	\$ 4,886	\$ 11,008	\$ 5	\$ -	\$ 14	\$ 15,913
Taxes Receivable	-	11,404	-	161,497	-	172,901
Interest Receivable	-	3,942	-	44,449	-	48,391
Due from Governmental Units	-	3,380	-	10,012	-	13,392
Due from Other Funds	-	36,762	-	-	-	36,762
Other Assets	-	203	-	-	-	203
TOTAL ASSETS	\$ 4,886	\$ 66,699	\$ 5	\$ 215,958	\$ 14	\$ 287,562
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 44,514	\$ -	\$ 44,514
Due to Governmental Units	-	88	-	-	14	102
TOTAL LIABILITIES	-	88	-	44,514	14	44,616
FUND EQUITY:						
Retained Earnings:						
Unreserved	4,886	66,611	5	171,444	-	242,946
TOTAL LIABILITIES AND FUND EQUITY	\$ 4,886	\$ 66,699	\$ 5	\$ 171,444	\$ 14	\$ 287,562

County of Crawford, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended September 30, 2006

	Sheriff Commissary	2003 Delinquent Tax	DTRF Admin	2004 Delinquent Tax	2002 Delinquent Tax	Totals
OPERATING REVENUES:						
Charges for Services	\$ 29,596	\$ 63,650	\$ -	\$ 67,978	\$ -	\$ 161,224
Interest & Rentals	-	8,904	-	74,334	-	83,238
TOTAL REVENUES	29,596	72,554	-	142,312	-	244,462
EXPENSES:						
General & Administrative	28,572	39,550	-	39,975	-	108,097
Other Expenses	-	-	2,700	-	-	2,700
TOTAL EXPENSES	28,572	39,550	2,700	39,975	-	110,797
OPERATING INCOME (LOSS)	1,024	33,004	(2,700)	102,337	-	133,665
NON-OPERATING REVENUES (EXPENSES):						
Interest & Fiscal Charges	-	-	-	(14,258)	-	(14,258)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	-	(14,258)	-	(14,258)
INCOME (LOSS) BEFORE TRANSFERS	1,024	33,004	(2,700)	88,079	-	119,407
Operating Transfers In	-	-	11,733	-	-	11,733
Operating Transfers Out	-	(131,000)	(9,147)	-	-	(140,147)
NET INCOME (LOSS)	1,024	(97,996)	(114)	88,079	-	(9,007)
RETAINED EARNINGS, OCTOBER 1	3,862	164,607	119	83,365	-	251,953
RETAINED EARNINGS, SEPTEMBER 30	\$ 4,886	\$ 66,611	\$ 5	\$ 171,444	\$ -	\$ 242,946

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2006**

	<u>Sheriff Commissary</u>	<u>2003 Delinquent Tax</u>	<u>DTRF Admin</u>	<u>2004 Delinquent Tax</u>	<u>2002 Delinquent Tax</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Customers	\$ 29,596	\$ 185,559	\$ -	\$ 654,828	\$ -	\$ 869,983
Payments to Suppliers	(29,097)	(43,873)	(2,700)	(40,340)	14	(115,996)
Internal Activity - Payments/Receipts with Other Funds	-	(2,981)	-	44,457	-	41,476
Net Cash Provided (Used) by Operating Activities	499	138,705	(2,700)	658,945	14	795,463
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Operating Transfers In	-	-	11,733	-	-	11,733
Operating Transfers Out	-	(131,000)	(9,147)	-	-	(140,147)
Net Cash Provided (Used) by Non-capital Financing Activities	-	(131,000)	2,586	-	-	(128,414)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Interest Expense	-	-	-	(14,258)	-	(14,258)
Principal Payments	-	-	-	(700,000)	-	(700,000)
Net Cash Provided (Used) by Capital Financing Activities	-	-	-	(714,258)	-	(714,258)
Net Increase (Decrease) in Cash and Cash Equivalents	499	7,705	(114)	(55,313)	14	(47,209)
Cash and Cash Equivalents - Beginning of the Year	4,387	3,303	119	55,313	-	63,122
Cash and Cash Equivalents - End of the Year	<u>\$ 4,886</u>	<u>\$ 11,008</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 15,913</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 1,024	33,004	\$ (2,700)	\$ 102,337	\$ -	\$ 133,665
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Change in Assets and Liabilities:						
(Increase) Decrease in Assets:						
Taxes Receivable	-	120,957	-	515,568	-	636,525
Interest Receivable	-	32,393	-	2,715	-	35,108
Other Assets	-	(203)	-	4,245	-	4,042
Due from Other Governmental Units	-	(3,380)	-	(10,012)	-	(13,392)
Due from Other Funds	-	(36,762)	-	-	-	(36,762)
Increase (Decrease) in Liabilities:						
Due to Other Funds	-	(2,981)	-	44,457	-	41,476
Accounts Payable	(525)	(206)	-	(365)	-	(1,096)
Due to Other Governmental Units	-	(4,117)	-	-	14	(4,103)
Net Cash Provided by Operating Activities	<u>\$ 499</u>	<u>138,705</u>	<u>\$ (2,700)</u>	<u>\$ 658,945</u>	<u>\$ 14</u>	<u>\$ 795,463</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
County of Crawford, Michigan
Grayling, MI 49738

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Crawford, Michigan, as of and for the year ended September 30, 2006, which collectively comprise Crawford County's basic financial statements and have issued our report thereon, dated November 22, 2006. We did not audit the financial statements of the Crawford County Road Commission which represents 99 percent and 99 percent of the assets and revenues of the Discretely Presented Component Units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County of Crawford, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Crawford, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Crawford, Michigan's financial statements are free of material misstatement, we performed a tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain matters that we have reported to management of the County of Crawford, Michigan in a separate letter dated November 22, 2006.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 22, 2006



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Chairman and
Members of the Board of Commissioners
County of Crawford, Michigan
Grayling, Michigan 49738

Compliance

We have audited the compliance of the County of Crawford, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. County of Crawford, Michigan's major federal programs are identified in the summary auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Crawford, Michigan's management. Our responsibility is to express an opinion on County of Crawford, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Crawford, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of County of Crawford, Michigan's compliance with those requirements.

In our opinion, the County of Crawford, Michigan complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the County of Crawford, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Crawford, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Commissioners, Management, of the County of Crawford, Michigan, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

November 22, 2006

County of Crawford, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:			
ADMINISTRATION ON AGING:			
Pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.:			
Title IIID	93.043	-	\$ 2,000
Title IIIB Homemaking/Personal Care	93.044	-	20,500
Title IIICI Congregate Nutrition	93.045	-	14,009
Title IIICH Home Delivered Nutrition	93.045	-	16,488
Title IIIE	93.052	-	14,570
Title IIIE - Respite	93.052	-	900
NSIP Title IIIC1	93.053	-	7,213
NSIP Title IIIC2	93.053	-	16,846
Waiver-Medicaid	93.778	-	14,043
Total pass-through from the State of Michigan and the North East Michigan Community Services Agency, Inc.			106,569
ADMINISTRATION FOR CHILDREN AND FAMILIES:			
Pass-through from the State of Michigan Department of Human Services:			
Prosecuting Attorney - Child Support	93.563	CS/PA-00-20002	46,207
Friend of the Court - Incentive	93.560	-	21,265
Pass-through from the Otsego County: Friend of the Court - Child Support	93.563	CS/FOC-03-69001	141,379
Total Pass-through from the State of Michigan Department of Human Services			208,851
Total U.S. Department of Health & Human Services			315,420
U.S. DEPARTMENT OF AGRICULTURE:			
Direct Awards:			
Fish Grant	10.XXX	-	23,265
Housing Preservation Program	10.433	-	24,238
USDA - Community & Facilities Loan	10.766	-	19,683
Total U.S. Department of Agriculture			67,186
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-through from MSHDA:			
CDBG Housing Grant Program - 01/1/04 - 12/31/05	14.228	MSC-2003-0214-HOA	112,125
Total U.S. Department of Housing & Urban Development			112,125
U.S. DEPARTMENT OF JUSTICE:			
Pass-through from the Michigan Department of Management and Budget:			
Pass-through from the County of Ogemaw, Michigan: S.T.I.N.G.	16.579	70844-3K01	35,195
Total U.S. Department of Justice			35,195
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through from the Michigan Department of State Police, Emergency Management Division:			
2004 Law Enforcement Terrorism Prevention Program	97.004	011805M	5,019
2004 Homeland Security Grant	97.004	-	21,859
2005 Homeland Security Grant	97.004	-	7,866
Hazard Mitigation Grant Agreement	97.042	-	880
Emergency Management Performance Grant (EMPG)	97.042	-	13,536
Total U.S. DEPARTMENT OF HOMELAND SECURITY			49,160
TOTAL FEDERAL FINANCIAL AWARDS			\$ 579,086

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Crawford, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Agriculture which provided the greatest amount of direct federal funding to the County during 2006.

NOTE C - TITLE IV-D COOPERATIVE REIMBURSEMENT - FRIEND OF THE COURT:

Crawford County is part of a 3-County Friend of the Court system, comprised of Crawford, Kalkaska and Otsego counties. The costs of the Friend of the Court system are shared between the counties based on their respective criminal and civil caseloads from the previous calendar year. Crawford County's 2006 caseload amounted to 27% of the total caseload of all three counties combined. The federal expenditures amount appearing on the accompanying schedule reflects the federal portion of the County's pro-rata share of the expenditures incurred for the federal program.

NOTE D - FOOD DISTRIBUTION:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At September 30, 2006, the County had a food commodity inventory totaling \$2,010.

NOTE E - RECONCILIATION TO COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE:

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal per Combined Financial Statements	
Revenues – Governmental Funds	\$ 601,666
UDSA – Loan	19,683
State Grants classified to Federal Revenues	<u>(42,263)</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 579,086</u>

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs**CFDA NUMBERS****Name of Federal Program or Cluster**

10.766	Community and Facilities Loan
93.563	Child Support Enforcement
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section II – Financial Statement Findings

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 05-1

Condition/Criteria: Public Act 621 of 1978, Section 18, (1) as amended, provided that a government shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the Probate Child Care Fund has been shown on a functional basis. The approved budget of the County for this fund was adopted on an activity and/or program level. During the year ended September 30, 2005 the County incurred functional expenditures which were in excess of the amounts appropriated as shown within Note 16 in the basic financial statements.

Effect: The County is not in compliance with State law.

Cause: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The County should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management's Response—Corrective Action Plan: The budget will be more closely monitored and budget amendments will be made accordingly.

Status: No similar instance of noncompliance occurred in fiscal 2006.

Additional Information

COUNTY OF CRAWFORD, MICHIGAN

ADDITIONAL INFORMATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION	66
Note 1 - Debt Issues Applicable to SEC Rule 15c2-12	
Disclosure Requirements	67
Note 2 - Tables:	
A. Major Taxpayer	67
B. Labor Contracts	67
C. Retirement Plans	67
D. County Tax Rates and Levies	68
E. Tax Collection Record	68
F. State Equalized Valuation	69
G. Taxable Valuation	69
H. General Fund Revenues and Expenditures	70
I. Direct Debt of County	70
J. Crawford County Bonds and Notes with County Credit Pledged	71



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Commissioners
County of Crawford, Michigan
Grayling, MI 49738

Our report on our audit of the basic financial statements of the County of Crawford, Michigan, as of and for the year ended September 30, 2006, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 22, 2006

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2006, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$1,500,000 County of Crawford General Obligation Unlimited Tax Bonds, Series 2000.

NOTE 2 - TABLES:

A. MAJOR TAXPAYERS:

<u>10 Largest Taxpayers</u>	<u>2006 Taxable Valuation</u>
Weyerhaeuser	\$ 23,833,900
Forrest Dunes	9,874,846
Grayling Generating	8,927,111
Quicksilver Resources	7,285,100
State of Michigan	6,007,027
Consumers Energy	5,840,476
Georgia Pacific	4,029,300
Springs Industries	3,345,167
Great Lakes Energy	2,998,370
Michigan Consolidated Gas	<u>2,435,295</u>
TOTAL (represents 14% Total 2006 TV)	<u>\$ 74,576,592</u>

B. LABOR CONTRACTS:

	<u>Number</u>	<u>Expiration Date</u>
AFSCME	10	09-30-07
Police Officers Assoc. of Mich.	29	09-30-08

C. RETIREMENT PLANS: (Operated by Michigan Municipal Employees Retirement Systems)

The County's contribution to the retirement system for the fiscal year end September 30, 2005 was \$342,775 and was \$402,564 for the fiscal year ended September 30, 2006.

NOTE 2 - TABLES: (Continued)

D. COUNTY TAX RATES & LEVIES:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
County Operating	6.0925	6.1054	6.1491	6.1825	6.2557
Commission on Aging	.4685	.4695	.4729	.4755	.4812
Rec. Authority	.4845	.4856	.4891	.4918	.4977
Public Transit	.7027	.7042	.7093	.7132	.7217
Library - Debt	.2750	.2900	.3200	.3500	.3800
Library – Operating	.4458	.4468	.4500	-	-
Sheriff – Debt Operating	<u>.8917</u>	<u>.8936</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL COUNTY	 <u>9.3607</u>	 <u>9.3951</u>	 <u>8.59040</u>	 <u>8.2130</u>	 <u>8.3363</u>
 COOR I/S/D	 .8859	 .8921	 .9013	 .9118	 .9253
Kirtland Comm. Coll.	<u>2.2393</u>	<u>2.2740</u>	<u>2.3060</u>	<u>2.3307</u>	<u>2.3629</u>
 TOTAL ALL JURISDICTIONS	 <u>12.4859</u>	 <u>12.5612</u>	 <u>11.7977</u>	 <u>11.4555</u>	 <u>11.6245</u>

E. TAX COLLECTION RECORD: (Including all taxing units in the County)

Crawford County pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins January 1. County taxes are due December 1 and become delinquent the following March 1. Taxes for other municipalities are due on July 1 and/or December 1 and become delinquent on or before the following March 1.

<u>Year</u>	<u>Tax Levy*</u>	<u>Collections to 3 – 1 Of Year Following the Levy</u>		<u>Coll. Plus Funding to 3 - 1 - 06</u>
		<u>Amount**</u>	<u>%</u>	
2006	\$ 20,384,074	\$ 18,753,348	92.00%	-%
2005	19,720,346	18,142,718	92.00	100%
2004	18,408,377	16,871,497	92.00	100
2003	16,467,657	15,153,591	92.00	100
2002	16,530,179	15,168,442	92.00	100
2001	15,783,330	14,495,956	92.00	100
2000	14,547,483	13,093,025	90.00	100
1999	14,087,484	12,872,199	91.40	100
1998	13,523,412	12,143,685	90.00	100
1997	13,094,137	11,863,643	91.00	100
1996	12,343,881	11,205,442	91.00	100

*Includes real and personal property taxes.

**Reflects only real property delinquency and assumes 100% collection of personal property taxes.

NOTE 2 - TABLES: (Continued)

F. STATE EQUALIZED VALUATION:

STATE EQUALIZED VALUATION (50% of True Value)			
2006	-	\$	740,487,879
2005	-		713,543,498
2004	-		674,931,955
2003	-		628,928,900
2002	-		563,742,250
2001	-		507,543,300
2000	-		457,814,322
1999	-		430,931,290
1998	-		404,850,990
1997	-		374,193,643
1996	-		351,394,514

G. TAXABLE VALUATION:

2006	-	\$	535,698,683
2005	-		517,688,997
2004	-		488,643,902
2003	-		457,586,519
2002	-		433,517,709
2001	-		410,049,530
2000	-		386,099,782

Per Capita TV (2006) \$36,025

2006 Taxable Breakdown by Use

Residential	67%
Commercial	8
Industrial	10
Personal Property	14
Agricultural	<u>1</u>
TOTAL	<u>100%</u>

2006 Taxable Breakdown by Class

Real	86%
Personal	<u>14</u>
TOTAL	<u>100%</u>

NOTE 2 - TABLES: (Continued)

H. GENERAL FUND REVENUES AND EXPENDITURES:

	September 30			
	2006	2005	2004	2003
Revenues & Transfers In	5,453,139	\$ 5,444,671	\$ 5,183,855	\$ 5,213,181
Expenditures & Transfers Out	<u>5,327,798</u>	<u>5,238,538</u>	<u>5,183,830</u>	<u>5,209,173</u>
Revenues Over (Under)				
Expenditures	125,341	206,133	25	4,008
Beginning Balance	352,284	146,151	146,126	142,118
Ending Balance	477,625	352,284	146,151	146,126

I. DIRECT DEBT OF COUNTY:

DIRECT DEBT OF COUNTY:	Gross	Self-Supporting Or Portion Paid Directly by Benefited Municipalities	Net
Building Authority	\$ 175,000	\$ -	\$ 175,000
MTF Bonds	270,000	270,000	-
GOUT Bonds	<u>900,000</u>	<u>-</u>	<u>900,000</u>
	<u>\$ 1,345,000</u>	<u>\$ 270,000</u>	<u>\$ 1,075,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Direct Debt	\$ 72.29
Percent County Net Direct Debt to 2006 TV	.20%

OVERLAPPING DEBT OF COUNTY:

Cities	\$ 820,000
School Districts	19,430,973
Community Colleges	<u>600,372</u>
Net Overlapping Debt	<u>\$ 20,851,345</u>
Net County and Overlapping Debt	<u>\$ 21,926,345</u>

NOTE 2 - TABLES: (Continued)

I. DIRECT DEBT OF COUNTY: (Continued)

Per capita County Net Direct and Overlapping Debt	\$ 1,474.54
Percent Net Direct and Overlapping Debt	4.09%

Source: Crawford County and Municipal Advisory Council of Michigan.

J. CRAWFORD COUNTY BONDS AND NOTES WITH COUNTY CREDIT PLEDGED:

(Including this Issue)

<u>Year</u>	<u>MTF Bonds</u>	<u>BA Bonds</u>	<u>GOUT Bonds</u>	<u>Total</u>
2007	65,000	55,000	100,000	220,000
2008	65,000	60,000	100,000	225,000
2009	70,000	60,000	100,000	230,000
2010	70,000	-	100,000	170,000
2011	-	-	100,000	100,000
2012	-	-	100,000	100,000
2013	-	-	100,000	100,000
2014	-	-	100,000	100,000
2015	-	-	100,000	100,000
TOTAL	<u>\$ 270,000</u>	<u>\$ 175,000</u>	<u>\$ 900,000</u>	<u>\$ 1,345,000</u>



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Crawford
Grayling, MI 49738

We have audited the financial statements of the County of Crawford for the period ended September 30, 2006, and have issued our reports thereon dated November 22, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered County of Crawford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Crawford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Crawford's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Crawford's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Crawford's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Crawford are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Crawford during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Some accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Crawford's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Crawford, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Crawford's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Crawford's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Crawford's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

Building & Zoning Bonds (Prior Year)

The building and zoning bonds payable on the general ledger are not periodically reconciled to the subsidiary listing of individual bonds. In an effort to provide accurate record keeping these two records need to be reconciled monthly.

Circuit Court Bonds (Prior Year)

The circuit court bonds payable on the general ledger are not periodically reconciled to the subsidiary listing of individual bonds. In an effort to provide accurate record keeping these two records need to be reconciled monthly.

Cash Accounts (Prior Year)

Several negative balances were noted during our review of the County's common cash accounts. We recommend that the County monitor its cash activity in each of its funds on a continuous basis and allocate funds between accounts, if necessary, in order to maintain positive cash flows.

Notes Receivables

The detail of the Housing Commission's notes receivable was not reconciled to the County's general ledger at year end. We recommend that the detail listing of notes receivable be periodically reconciled to the County's general ledger.

Personal Property Taxes

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Summer Tax Levy

With the change in the funding of Revenue Sharing various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to still fund Revenue Sharing and still receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what is not collected is not received until settlement of the subsequent year. This creates a cash flow shortage which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, the County will need to re-evaluate its cashflow needs considering the changes noted above.

Inmate Trust Account

Currently the inmate monies are recorded in a separate bank account; however, the County's general ledger is not reconciled to the reconciled cash balance in that account on a monthly basis. In addition, a listing by inmate showing their respective cash balance at the end of each month is not available. We recommend that the County's general ledger be reconciled on a monthly basis with inmate cash per the reconciled bank statement and that a subsidiary ledger be maintained for individual inmates that agrees in total to the reconciled bank statement and general ledger.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the County of Crawford, Michigan required to implement the Statement for the year ended September 30, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to fund these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Commission as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

This information is intended solely for the use of the Chairman, County Commissioners, management of the County of Crawford, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

November 22, 2006